



Translation

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**PRESS RELEASE
OF THE NATIONAL BANK OF MOLDOVA**

According to the data published by the National Bureau of Statistics (NBS), the consumer prices index (CPI) for the last 12 months constituted 3.7 percent in June 2012, decreasing by 0.4 percentage points versus the previous month. The annual core inflation registered a rate of 4.3 percent, decreasing by 0.1 percentage points compared to the previous month.

Both the internal and external factors will contribute to the deterioration of the inflationary risks balance in the next period. Thus, the main external sources of risk arise from the entry into recession of advanced economies under the conditions of effects derived from euro area sovereign debt crisis and the evolution of oil and food prices on international markets.

At the same time, the reduction of foreign demand, foreign investment flow and the volume of remittances from abroad reduce the domestic economic activity and continue to exert disinflationary pressures.

The disinflationary pressures will be partially mitigated by reducing the supply of domestic food products due to adverse weather conditions during this period.

The annual inflation for June 2012 continued its downward trend, started at the end of the previous year, decreasing by 0.4 percentage points compared to May 2012, up to the level of 3.7 percent. The monthly inflation rate decreased by 0.3 percent, being conditioned by lower prices for foodstuff products by 0.7 percent and for non-foodstuff products by 0.4 percent, development mitigated by increases in tariffs for public services by 0.4 percent. The dynamics of the monthly inflation rate for June 2012 was influenced mainly by the seasonal effect, characteristic for that period of the year. Thus, after eliminating the seasonal factor, the prices increased by 0.4 percent in June 2012. This increase was due to food prices growth as a result of diminishing supply along with its focus on external markets and drought conditions. The regulated prices and core inflation had less influence in the reporting period. A negative contribution to inflation was caused by lower oil prices on foreign markets.



The annual core inflation¹ recorded for the last 12 months a level of 4.3 percent (by 0.1 percentage points less compared to the previous month). Thus, starting with October 2011, there was recorded a tendency of reduction of the core inflation annual rate, which can be associated with a moderation of domestic and external demand, along with the mitigation of disposable income of the population at the beginning of this year. At the same time, this tendency was supported by the appreciation of the national currency against the currencies of the main trading partners.

In June 2012, the monthly core inflation rate was 0.1 percent, similarly to the previous month. This development of the monthly core inflation rate was driven mainly by the increases in prices in the following components: cigarettes, clothing, knitting wear, auto parts, bicycles, education and training.

In June 2012, foodstuff prices decreased by 0.7 percent compared to the previous month. This decrease was mainly due to lower prices of potatoes (by 23.0 percent), milk and dairy products (by 1.9 percent), rice (by 0.5 percent), fresh vegetables (by 0.4 percent), being partially mitigated by the increase of prices of eggs (by 23.0 percent), fresh fruits (by 1.5 percent), and sugar (by 0.8 percent). Excluding seasonal factors, the food prices have increased by 0.6 percent.

In June 2012, the fuel prices recorded a downward trend, decreasing by 2.5 percent as compared to the previous month, as a result of lower prices in all components. Thus, fuel prices fell by 2.3 percent following the decreases in fuel prices on international markets. At the same time, prices of bottled gas decreased by 5.0 percent, earth coal by 2.1 percent and firewood by 1.4 percent.

In June 2012, regulated prices marked an increase of 0.4 percent compared to the previous month. This dynamic was conditioned mainly by increasing electricity tariff in May. Contributions of a lower magnitude have been exercised in June by higher prices of international rail services and air transport by 2.1 and 1.8 percent respectively.

The National Bank of Moldova reiterates that it will continue to monitor vigilantly the developments in domestic and international economic environment, so that by an adjustment of monetary policy instruments to ensure the objective referred to in the Medium-term Monetary Policy Strategy in order to ensure and maintain price stability.

¹ The core inflation is calculated by the NBS by excluding the prices that are outside the influence area of monetary policy measures promoted by the NBS, such as food and beverages, fuel, products and services with regulated prices.
From January 2012, the published data are calculated by the NBS according to the changes made to the Annex no.2 of the "Methodology for the calculation of core inflation index", approved by joint order N8-07-01203/6 of January 19, 2012 of National Bank of Moldova and the National Bureau of Statistics (the change regards the inclusion of prices for remote communication services and medicines into regulated prices).